

Message Text

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PAGE 01 SAN SA 03041 282319Z
ACTION ARA-14

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FM AMEMBASSY SAN SALVADOR
TO USDOC WASHDC
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UNCLAS SAN SALVADOR 3041

E.O. 11652: N/A
TAGS: BDIS, ES
SUBJECT: WORLD AUTO PARTS INC VS. DUROPARTS DE EL SALVADOR,
SAN SALVADOR

REF: A. 75 SAN SALVADOR 2478, B. USDOC 10868

1. COMATT MET WITH TOP OFFICIALS OF DUROPARTS AS WELL AS QUINONEZ HERMANOS, THE MAJORITY SHAREHOLDER.
2. SITUATION OF DUROPARTS APPEARS GRIM BUT NOT HOPELESS.
3. WHILE ACKNOWLEDGING DELINQUENT DEBT TO SUPPLIERS, OFFICIALS OF DUROPARTS MAINTAIN THAT THE ONLY WAY THEY CAN PROVIDE PROMPT PAYMENT WOULD BE TO BARTER RECONDITIONED AUTO PARTS AGAINST DEBT, AN OFFER THEY MADE IN MAY BUT HAVE YET TO RECEIVE A RESPONSE.
4. DUROPARTS MARKETING OPERATION IN U.S. SUFFERED A SEVERE SET-BACK WHEN US REPRESENTATIVE ALLEGEDLY DEFRAUDED COMPANY OF AN ESTIMATED US \$200,000. LAW SUIT IS IN PROCESS AGAINST EX-AGENT TO RECOVER LOSSES PLUS DAMAGES.
5. DUROPARTS HAS ALSO CONTRACTED AN INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC) CONSULTANT TO EVALUATE US MARKET POTENTIAL FOR FIRM'S RECONDITIONED AUTO PARTS AND TO RECOMMEND MOST APPROPRIATE COURSE OF ACTION.
6. IF IESC RECOMMENDATION IS FAVORABLE ADDITIONAL WORKING CAPITAL WILL PROBABLY BE INVESTED IN DUROPARTS. IF NOT, DUROPARTS WILL PROBABLY CLTSE DOWN.

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7. WHICHEVER THE CASE, COMMERCIAL ATTACHE HAS RECEIVED PERSONAL ASSURANCES FROM TOP OFFICIALS OF BOTH DUROPARTS AND QUINONEZ HERMANOS THAT CREDITORS WILL NOT BE LEFT HANGING.
8. SINCE PROMPT ASSURANCES OF PAYMENT FOR IMPORTS FROM COMPLAINTANT WERE NOT GIVEN, COMATT CHECKED WITH MINISTRY OF ECONOMY WITH RESPECT TO STOPPING RE-EXPORT OF US ORIGIN PARTS FOR WHICH NO PAYMENT HAS BEEN MADE.

9. MINISTRY OFFICIALS RESPONDED THAT GOES WOULD NOT INTERVENE DIRECTLY SINCE TRADE DISPUTE WAS BETWEEN TWO PRIVATE FIRMS. HOWEVER, US FIRM COULD SEEK AN INJUNCTION AGAINST DUOPARTS BY GOING THROUGH THE SALVADORAN JUDICIAL SYSTEM. SINCE DUOPARTS PRODUCES ONLY FOR EXPORT, ANY INJUNCTION ON EXPORTS WOULD CLOSE THE FIRM DOWN.

10. WHILE NOT ASKED FOR A RECOMMENDATION, EMBASSY ENCOURAGES US CREDITORS TO GIVE DUOPARTS UNTIL AUGUST 31 TO DETERMINE WHETHER OR NOT IT CAN REALISTICALLY PUT ITS HOUSE IN ORDER. THIS RECOMMENDATION IS BASED ON CANDOR AND INTEGRITY OF OFFICIALS FROM BOTH DUOPARTS AND QUINONEZ HERMANOS WITH WHOM EMBASSY HAS CONSULTED AND WITH WHOM EMBASSY HAS LONG ESTABLISHED CONTACTS.

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